

Final Audit Finding Resolution
Region L-St. Louis-Jefferson Solid Waste Management District
July 2007

1. Audit Finding -- Unprotected Cash Balance

Auditor Recommendation:

We recommend the district be required to request that the bank pledge collateral on its collective cash balance in excess of \$100,000.

District Response:

The district has established a second checking account with Commerce Bank to use when funds in the first checking account exceed \$100,000.

SWMP Response:

We concur, in part, with the auditor's recommendation. The recommendation addresses only the immediate issue and does not address development of a procedure to prevent recurrence of the finding. Our recommendation has been expanded to include modifications to the district's procedures to assist in securing the district's cash assets.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #1:

- a. The executive board should develop a written policy that identifies the district's procedure for monitoring cash balances in all district accounts. Specifically, the procedure should ensure that all district accounts are maintained below the financial institution's insured limit; that financial institutions holding district cash assets are not related (i.e., limiting coverage to \$100,000 between the institutions); or the district's cash assets are secured by pledges of sufficient collateral securities to protect all district funds in the institution;
- b. The district should seek agreements with all financial institutions holding district funds indicating that should district funds exceed the coverage limits the institution must immediately notify the district. The district may also want to consider entering into an agreement with their financial institution to pledge securities sufficient to mitigate any underage of coverage as it occurs; and
- c. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

2. Audit Finding -- Conflict of Interest – Grant Proposals (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to develop a formal conflict of interest policy setting out guidelines to executive board members and grant evaluators and that these policies be updated and approved by the executive board annually.

District Response:

The district stated in part “There are no material conflicts of interest in any of these instances. The executive board member representing Jefferson County experienced no personal gain from the grants mentioned, which provided resource materials for school recycling programs in Jefferson County. The executive board member representing St. Charles County does not work for the City of O’Fallon, and has no material conflict of issue with any grants to O’Fallon. Finally, the executive board member representing the City of St. Louis had no material interest in the grant to the Missouri Botanical Garden. The project had nothing to do with her division within the Garden. A response from the executive board member representing the City of St. Louis is attached at Schedule VIII. Each of these board members could have voted for those proposals. There was no material conflict of interest.”

“The board is moving to a higher standard, and will seek to avoid even an appearance of conflict in the future. Board members will not rank or vote for proposals that could have an appearance of conflict, even though there is no actual material conflict of interest.”

“The executive board adopted a Conflict of Interest policy in 2003, which has been provided. Individual statements were approved at the March 20, 2007 executive board meeting. These have been signed by board members and staff, and will be updated annually.”

SWMP Response:

A conflict of interest is a situation in which someone in a position of trust has a competing professional or personal interest. A conflict of interest exists even if no unethical or improper act results from it. Conflicts of interest can create the appearance of impropriety where none exists, undermining confidence in an organization or individual. The best way to handle conflicts of interest is to avoid them entirely. However, when this is not possible, having appropriate policies and procedures in place will assist the district in responding to public inquiries. All board and senior staff members should be required to sign the district’s policy and disclose any conflicts of interest at the time they join the board and at the beginning of each new board year. They should be expected to refrain from attempting to influence other board members or staff decision-makers regarding matters in which they or their family members have a conflict of interest. The board should ensure that the practice of full disclosure is fostered at board meetings, particularly those involving discussions of issues that could pose a conflict of interest for any board member, and steps should be taken to ensure that board members with conflicts recuse themselves from the board discussion and votes on such issues.

The SWMP agrees with the auditor's recommendation. However, as this is a repeat finding, we request that additional action be taken by the district to prevent recurrence as detailed in the SWMP recommendation below.

SWMP Recommendation:

We understand the district has been working to review and amend the policies and procedures used for documenting potential conflicts of interest. Further, we understand from your response that the district has adopted a process to have the executive board and staff sign annual update statements.

The SWMP recommends the district take the following actions to resolve Finding #2:

- a. The executive board should amend the district's policy related to conflicts of interest. (Note: We understand the executive board has already taken action to adopt a conflict of interest policy to include requiring annual updates to disclosure statements by executive board members and staff.) Additionally, we understand the district's policy now includes an annual review and approval of these statements by the executive board;
- b. The district should provide copies of the signed individual disclosure statements of executive board members and staff to SWMP with submission of the next quarterly Financial Summary form as verification of the district's compliance with the procedures;
- c. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with a copy provided to the SWMP; and
- d. For the FY08 grant cycle, we request the district submit to SWMP, upon approval and signing by the board, a copy of the board meeting minutes for the meetings where grant awards are discussed and made as verification of the district's compliance with the procedures.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 2 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

3. Audit Finding – Conflict of Interest – Payroll Service Contract (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to maintain critical bid documentation to support all contractual relationships that exist between the district and a third party and to support expenditures related to these contracts.

District Response:

The district stated in part, “In the St. Louis region, the district was formed through the efforts of St. Louis County, and the county was the original administrative host. Hosting continued for about eight years, including payroll, benefits, housing, etc. Eventually, however, the County needed the space it had been providing, and the district lost the administrative services and free office space that had been donated by St. Louis County for many years. The district needed payroll and benefit services for the staff employed directly by the district, and the district was not seeking an entity to provide general administrative services. This was also a situation of seeking an organization that would be willing to provide this service. The district approached three organizations that were regional in nature, not political jurisdictions. These organizations were the East-West Gateway Coordinating Council, University of Missouri, and the Missouri Botanical Garden. The analysis included both costs and willingness, and the Botanical Garden was the best choice in both regards. This was a simple business decision, using a competitive process that accommodated these unique professional circumstances and the process was documented in the minutes.”

“There are no material conflict of interest issues. Garden education and recycling programs that had been funded by the district were active prior to the payroll and benefits services, and the status did not change afterwards. Additionally, the district also factored the tremendous and impeccable international reputation of the Missouri Botanical Garden as a strong reason for undertaking the business association.”

“District staff and executive board members have never been approached by anyone from the Garden regarding any grant proposal. The district would not tolerate that kind of interference, and the executive board has adopted conflict of interest, whistleblower and code of ethics policies.”

SWMP Response:

Failure of the district to adequately document their procurement practices leaves the executive board and district vulnerable to criticism from external reviewers, such as auditors and the public, and accusations from bidders who did not receive an award.

Maintaining adequate documentation, including signed and approved board meeting minutes, will allow the district to respond to issues or concerns raised in a timely and consistent manner. The SWMP encourages Region L to develop and implement a document retention policy to protect the district’s records of its governance and administration, as well as business records that are required to demonstrate legal compliance and to protect against allegations of wrongdoing by the organization or its directors and managers. A document retention policy should be developed to address the length of time specific types of documents must be retained, as well as when it is permissible or required to destroy specific types of documents. Examples of information that should be retained includes: date of contact with bidders; number of bids; those entities contacted; specifications for the goods or services requested; the staff conducting the bid process; criteria used for award; and an evaluation statement briefly explaining why the successful bidder was selected.

We concur with the auditor's recommendation for maintenance of procurement and expenditure documentation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #3:

- a. The executive board should modify the district's procurement policies and related procedures to address the need for compliance with state procurement and record retention requirements. Specifically, the procedures must include adequately documenting bids including sole source justification and retention of procurement records. Further, we recommend development of a district procurement form for ease in recording required information about each bid;
- b. The executive board or the board's procurement committee should periodically review complete procurement files for goods and services purchased by district staff to verify compliance with the procurement policy. During FY08, copies of bid packets (purchases over \$3,000 and less than \$25,000) should be included with the quarterly Financial Summary form submitted to the SWMP as verification of the district's compliance with the procedures; and
- c. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 3 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

4. Audit Finding – District Fund Balances

Auditor Recommendation:

We recommend that the district be required to monitor the fund balances held by the district and reallocate unused grant funds for waste reduction and recycling projects in accordance with state rules and regulations. Additionally, the district should adopt policies and procedures limiting the amount of administrative and interest funds accumulated by the district.

District Response:

The district stated "The district executive board allocated the administrative fund balance with the 2007 District Grant Awards on March 20, 2007. This information was submitted by the district to DNR in March 2007, and was approved on April 23, 2007. That action addresses this issue."

SWMP Response:

Among the most important responsibilities of the board of directors is ensuring that the district manages its financial resources to effectively implement the district's approved solid waste management plan. The board must set the policies for financial management and review financial practices and reports to ensure that district staff are adhering to those policies. Day-to-day accounting and financial management should be the task of district staff.

Monitoring of fund balances and reallocation of funds that become unobligated is a primary function of the executive board and staff. Therefore, we concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #4:

- a. The executive board should modify the district's written policy and procedures to ensure future fund balances are adequately monitored by the executive board. Specifically, the executive board should review fund balances to ensure timely reallocation of funds for waste reduction and recycling projects as well as establishing the amount of administrative and interest funds allowed to accumulate prior to reallocation; and
- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

5. Audit Finding – District Administrative Expenditures for Food and Travel

Auditor Recommendation:

We recommend that the district be required to monitor district expenditures to help ensure that the district is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the district should adopt policies for food and travel and usage of the district credit card. The audit questions unnecessary and inappropriate expenditures for food and travel for the two years under review in the amount of \$10,950. **During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor's report should be determined and addressed.** (Emphasis added.)

District Response:

The district disagreed with the finding and recommendation. The district stated in part, "One high ranking DNR staff person recently stated that the district could not do what it is supposed to do if it didn't provide food. The district is charged to foster collaboration and partnerships, educate, provide technical assistance, etc. Marketing and promotion of recycling are primary purposes of the district. Our job is to persuade and assist in getting people to do things that they are not required to do. In almost 15 years of experience, the

district has found food to be a highly effective tool to use to help educate, promote and assist in growing the recycling industry. The district does not provide baseball tickets, liquor, etc. Food is the least expensive tool for marketing and promotion. The district spends less than 1 percent of its operating budget for these costs, well within accepted outlays for organizations with significant marketing, promotional, educational components to their mission.”

“Generally, food is provided for group meetings, when meeting with volunteers who donate time and resources to expand recycling, when meeting with volunteer board members, when meeting with those of limited means who are providing professional services to expand recycling, and meeting with individuals who may be potential grant applicants. Food is not provided at every meeting. District staff are out in the community as much as possible to promote education and assist in the expansion of recycling. These minor expenditures are incidental to the district education, outreach and technical assistance efforts. Additionally, DNR has already withheld \$782 from the district for costs included in this comment.”

SWMP Response:

The SWMP concurs with the auditor’s recommendations. The district on September 6, 2006 signed an Audit Resolution Plan agreeing to implement the recommendations of the Missouri State Auditor’s report released February 2006. We believe with implementation of these recommendations the district will achieve compliance.

However, it appears District L has failed to comply with the terms of the Audit Resolution Plan. With no duplication of questioned costs for food and travel identified between those found during the performance audit report and those costs questioned in the State Auditor’s Report 2006-10, food and travel costs totaling \$10,950 for the performance audit review period are questioned. Of the total amount questioned for food and travel, \$1,205 occurred after District L signed the September 6, 2006 Audit Resolution Plan with DNR.

As a part of the audit resolution process, the district may provide additional documentation related to the costs questioned in this report. This information will be analyzed to determine the allowability (i.e., necessary and appropriate) of any of the questioned costs in this report.

It is a good business practice for any organization to establish and implement policies that provide clear guidance on its rules for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required. Such policies should require that travel on behalf of the organization is undertaken in a cost-effective manner. Solid Waste Management Funds should not be used to pay for nor reimburse travel expenditures for spouses, dependents, or others who are accompanying individuals conducting business for the organization unless they, too, are conducting business for the organization.

In a review of charges made to the district’s credit card account, the auditor reported that on May 9, 2005, the executive director charged airline tickets totaling \$1,025 for family members to the district’s account. The auditor did note the executive director made reimbursement on May 20, 2005; however, it is not a good business practice to allow

employees to use district credit cards for personal expenses, regardless of whether or not the expense is reimbursed to the district.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #5:

- a. The district may provide documentation to permit further analysis of food and travel expenditures to determine allowability;
- b. The executive board should adopt a written policy that requires executive board monitoring of district expenditures for food and travel to ensure funds are only used for necessary and appropriate expenditures for reducing solid waste and expanding recycling activities;
- c. The executive board should establish a written policy, specific procedures, and guidelines for use of district credit card accounts. Further, this process should include presentation of credit card activity reports to the board at each of their meetings to allow for timely board monitoring of these district accounts;
- d. During FY08, the district should submit to the SWMP a copy of credit card activity reports presented to the executive board for their approval and a copy of the approved and signed executive board meeting minutes. These may be submitted along with the quarterly Financial Summary forms as verification of the district's compliance with the procedures; and
- e. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

6. Audit Finding – District Administrative Expenditures for Legal and Lobbying Services

Auditor Recommendation:

We recommend that the district be required to monitor district expenditures to ensure that the district is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate legal and lobbying expenditures for the two years under review in the amount of \$36,260. During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor's report should be determined and addressed.

District Response:

The district disagreed with the finding and recommendation. The district stated in part, "The Missouri legislature granted solid waste management districts with both the authority to enter into any contracts they felt necessary, and to make any expenditures they felt necessary. This authority was granted in RSMo 260.310.3 and 260.320.2. The legislature also did not require that DNR approve any contracts or expenditures. Legal services and lobbying services are both professional services that are within the statutory authority of districts to obtain. DNR exceeds its statutory authority to deny those services to districts. Additionally, it may be a conflict of interest for DNR to initiate legislative efforts to divert dedicated local funds and then declare that any district attempts to protect those funds for their intended purpose are unnecessary and inappropriate. It should be noted that lobbying services and certain legal

expenditures were utilized only in response to actions undertaken by DNR. The district did not initiate expenditures prior to DNR actions. It should be noted that DNR has withheld \$50,273, and questioned costs total \$36,260.”

“Legal services are a normal costs of doing business. Districts are political corporations with significant responsibilities under law. The district has utilized legal services in the following chronological fashion.”

“Shulamith Simon was the original district attorney, and only provided general legal services for administration and contract issues. The district began to use a different attorney as Ms. Simon approached retirement. Curtis, Heinz, Garrett began providing services in 2005. Curtis, Heinz, Garrett also provided general legal services for administration issues, as well as limited review for responses to DNR regarding the state auditor’s report. The district would have been irresponsible to not seek legal advice when the district was being subjected to administrative actions and penalties. Thompson and Coburn continue to provide general legal services to the district. DNR may exceed its statutory authority by preventing districts from seeking legal counsel or by withholding funds for legal expenses.”

“The district did utilize lobbying services after DNR initiated legislative efforts to divert approximately one million dollars per year that the St. Louis region pays into the Solid Waste Management Fund. The district clearly has the legislative authority to secure lobbying services. The use of lobbying service was necessary and appropriate given the situation of DNR sponsored legislation to divert a huge sum of funds paid into the state solid waste management fund by this region. The district would have been remiss to not oppose that legislation.”

“Limits on the ability of districts to utilize lobbying expenses may exceed DNR statutory authority. The provision in the general terms regarding lobbying addresses federal funds and the federal legislature, and is not applicable to the districts. The district only used local funds for lobbying expenditures, and documented that fact with special accounting research at significant additional cost. DNR subsequently withheld over \$50,273 from the district, even though only local funds were used, and the district clearly has statutory authority to enter into contracts with whomever the district deems appropriate. Lobbying expenses have already been withheld by DNR. The district strongly disagreed with the withholding and appealed that decision. DNR chose not to address the technical merits of the appeal.”

SWMP Response:

We concur with the auditor’s recommendations. During the period covered by this report, the district failed to comply with 10 CSR 80-9.050(1)(E)3 which states, “The following costs are considered ineligible for district grant funding: D. Legal costs.” The district on September 6, 2006 signed an Audit Resolution Plan agreeing to implement the recommendations of the Missouri State Auditor’s Report 2006-10 released in February 2006. We believe with implementation of these recommendations the district will achieve compliance.

However, District L has failed to comply with the terms of the Audit Resolution Plan signed on September 6, 2006. The total amount for legal and lobbying costs questioned in this

performance audit report is \$36,260. No duplication of questioned legal costs occurred between the State Auditor's Office Report 2006-10 and this performance audit report. Legal costs of \$18,760 identified in Schedule III of this performance audit report as questioned are disallowed. Of the total amount questioned for legal services, \$14,517 occurred after District L signed the Audit Resolution Plan with DNR.

Of the \$36,260 amount for legal and lobbying costs questioned in this performance audit report \$17,500 relate to lobbying expenditures. Rubin Brown, LLP prepared an Agreed Upon Procedures Report for Region L, St. Louis-Jefferson Solid Waste Management District for December 31, 2005, which detailed lobbying expenditures totaling \$50,273. The amount reported in the Rubin Brown report is inclusive of the \$3,750 reported in the State Auditor's Office Report 2006-10. Additionally, of the \$17,500 of lobbying costs reported in this performance audit, \$12,500 of these costs appeared in the Rubin Brown report and were previously withheld by DNR. Therefore, questioned costs for lobbying totaling \$5,000 for the performance review period are disallowed. Of the total amount questioned for lobbying services, none of the costs occurred after District L signed the September 6, 2006 Audit Resolution Plan with DNR.

Statute and rule require that district administration funds be used for district operations. Grant rules say district administration grants can be used for district plan development; district plan implementation; and district administrative or operational expenses. Lobbying expenditures are not made to develop or implement the district's solid waste management plan or necessary to operate the district. The department's terms and conditions say, "No portion of this award may be expended for lobbying." Further, SWMP's General Terms and Conditions require that all expenditures of the funds provided to districts be in compliance with the Office of Management and Budget (OMB) Circular A-87 for state and local governments. This circular states, *a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.* The use of grant funds does not appear to be a prudent use of public funds nor do these costs appear necessary to operate the district.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #6:

- a. The executive board should modify the policy and related procedures used by the executive board to monitor district activities to ensure public funds are expended in compliance with the laws, rules, and conditions governing their use; and
- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 6 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

7. Audit Finding – District Administrative Expenditures for Artwork, Books, and Subscriptions

Auditor Recommendation:

We recommend that the district be required to monitor district expenditures to help ensure that the district is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate expenditures for artwork, books, and subscriptions for the two years under review in the amount of \$9,583. During the audit resolution process, any duplication of questioned costs between this report and the Missouri State Auditor's report should be determined and addressed.

District Response:

The district disagreed with the finding and recommendation. The district stated in part, "These expenditures are normal expenditures related to furnishing an office, as well as acquiring resource materials that are helpful for the district to promote all aspects of waste reduction and recycling as well as administer the district."

"DNR previously withheld \$12,778 from the district, which exceeds \$9,583 listed. There does not appear to have been any itemized list of expenditures used by DNR for this withholding. This includes \$10,125 for murals and furnishings for an office which serves as a regional resource facility. An additional \$1,871 was withheld for any book purchased. All book purchases relate to aspects of waste reduction and recycling and district administration. Books and costs for furnishing the office are appropriate and should not have been withheld. These questioned costs would withhold those funds for a second time."

SWMP Response:

We concur with the auditor's recommendation. The district on September 6, 2006 signed an Audit Resolution Plan agreeing to implement the recommendations of the Missouri State Auditor's report released February 2006. We believe with implementation of these recommendations the district will achieve compliance.

However, it appears District L has failed to comply with the terms of the audit resolution signed on September 6, 2006. The amount previously withheld by SWMP as a result of the State Auditor's Office Report 2006-10 was \$12,778. This performance audit report contains \$12,240 of redundant costs. The remaining questioned costs related to artwork, books and subscriptions specific to this performance audit total \$538. Of the total amount questioned for artwork, books and subscriptions, \$123 occurred after District L signed the September 6, 2006 Audit Resolution Plan with DNR. As a part of the audit resolution process, the district may provide additional documentation related to the costs questioned in this report. This information will be analyzed to determine the allowability (i.e., necessary and appropriate) of any of the questioned costs in this report.

Statute and rule require that district administration funds be used for district operations. Grant rules say district administration grants can be used for district plan development;

district plan implementation; and district administrative or operational expenses. Expenditures for artwork are not to develop or implement the district's solid waste management plan or necessary to operate the district. Further, SWMP's General Terms and Conditions require that all expenditures of the funds provided to districts be in compliance with the Office of Management and Budget (OMB) Circular A-87 for state and local governments. This circular states, *a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.* The use of grant funds for artwork, books, and subscriptions unrelated to grant supported activities does not appear to be a prudent use of public funds or costs necessary to operate the district.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #7:

- a. The district may provide documentation to permit further analysis of book and subscription expenditures to determine allowability;
- b. The executive board should modify the policy and procedures used by the executive board to monitor district activities to ensure public funds are expended in compliance with the laws, rules, and conditions governing their use; and
- c. Modifications made to the district policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 7 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

8. Audit Finding – Donations to Organizations

Auditor Recommendation:

We recommend that the district be required to monitor district expenditures to ensure that the district is not making unnecessary and inappropriate purchases, and seek reimbursement for any improperly expended funds. Additionally, the audit questions unnecessary and inappropriate expenditures for donations made to organizations for the two years under review in the amount of \$18,700.

District Response:

The district disagreed with the finding and recommendation. The district stated in part, "The donations discussed are inadequately described by the budget category, which has since been changed to Community Outreach to reflect the purpose of these expenditures. These expenditures are event sponsorships in order to include waste reduction and recycling education as part of the event, and memberships that provide training and services for the district staff, as well as benefits for grantees."

SWMP Response:

We concur with the auditor's recommendation. However, we understand from the district response that the budget category used for donation expenditures did not adequately detail some of the questioned costs. The district may provide documentation to support these costs being incorrectly categorized during the audit resolution process. The SWMP will analyze any information provided by the district to determine the allowability (i.e., necessary and appropriate) of these questioned costs. Until the district provides additional documentation for review and analysis, the questioned costs totaling \$18,700 are unresolved and remain questioned.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #8:

- a. The district may provide documentation to permit further analysis of donation expenditures to determine appropriate categorization of the costs and their allowability;
- b. The executive board should modify the policy and related procedures used by the executive board to monitor district expenditures for donations. Consideration should be given to whether this and other budget categories are appropriately descriptive to allow for board action and approval. With particular attention paid to funds being used for necessary and appropriate expenditures that reduce solid waste and expand recycling activities; and
- c. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

9. Audit Finding – Utilization of District Vehicle (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that district equipment is adequately safeguarded against loss, damage, theft and unauthorized usage. Additionally, we recommend that the district install a permanent sign on the district vehicle, which properly identifies the equipment as district property.

District Response:

The district stated, "The district purchased a vehicle in 2003 using interest funds. The purchase was approved by the district executive board, and DNR approval was not required. The district has started a vehicle usage log, even though all usage is charged to the same budget. The usage log is kept in the vehicle. The district has also begun a maintenance log, which is kept in the district files. Identification has been affixed to the vehicle. These actions address this issue."

SWMP Response:

We concur with the auditor's recommendation. The district states in their response that DNR approval was not required for the purchase of the district vehicle with interest funds. The

SWMP disagrees with the district's statement. The Special Terms and Conditions, Item 2 states "Expenditure of income earned from interest on district grant agreement funds must be in compliance with 10 CSR 80-9.050 Solid Waste Management Fund (SWMF) – District Grants." Interest earned as a result of receiving state grant funds is state funds. (Finding #25 provides additional information related to use of interest income.) As with any acquisition of equipment, SWMP approval should have been requested prior to the purchase.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #9:

- a. The executive board should modify the written policy and related procedure to ensure all potential district purchases with state funds (i.e., allocation, carryover, and interest) are included in the district operations application for approval by the SWMP. Further, the policy should account for and report capital assets including serial numbers or other identification numbers, such as VIN numbers and identification has been permanently affixed to the equipment or vehicle;
- b. During FY08, the district should provide to SWMP a copy of the vehicle usage and maintenance logs as verification of the district's compliance with your procedures; and
- c. Modifications or additions to district policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

10. Audit Finding – Equipment Management (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that property records are adequately maintained and include the items necessary to meet the minimum requirements of the General Terms and Conditions.

District Response:

The district stated, "The fixed asset inventory for 2006 is complete as part of the annual independent audit process. Assets valued more than \$500 are included in the fixed asset listing. As required by generally accepted accounting principles, assets purchased with a useful life greater than one year are capitalized. To reduce the recordkeeping required for clearly insignificant purchases, a capitalization threshold was determined by the district which would include all significant assets purchased with a useful life greater than one year. The \$500 threshold was deemed a reasonable amount based on the size and operations of the district. Identification tags and serial numbers will be added to the listing, even though the list references the source documentation related to the purchase. The artwork purchased in 2005 (mural) will be added to the fixed asset listing, however, will not be depreciated due to its unique nature, and the difficulty in determining an estimated useful life. The updated list with serial numbers and tags will be complete by May 31, 2007, which will complete the issue."

SWMP Response:

The SWMP agrees with this recommendation. We understand since the previous audit conducted for the fiscal years ending June 30, 1993, 1994, and 1995, the district has developed a list of equipment and performs physical inventories as required. However, including serial numbers or other identification numbers for equipment maintained at the district office, including the VIN identification number for the district vehicle, can enhance the asset listing and strengthen controls over the district's fixed assets.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #10:

- a. The executive board should modify the written policy and related procedures to account for and report capital assets including serial numbers or other identification numbers;
- b. During FY08, the district should provide to SWMP a copy of the annual physical inventory as verification of the district's compliance with this requirement; and
- c. Modifications or the addition of district policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

11. Audit Finding – Lack of Dual Signatures on Checks Under \$2,000

Auditor Recommendation:

We recommend that the district review its check writing policy to ensure that no unauthorized or unallowable expenditures are being made without the knowledge and consent of the district executive board. The review should include a lowering of the \$2,000 dual signature requirement as negotiated with MDNR.

District Response:

The district stated, "Two signatures are always required for any grant payment, a policy established by the executive board when the district started its own checking account. The \$2,000 limit was set so that normal operating expenses such as rent, phone, etc. can be paid on a timely basis without having the chairperson or district staff incur unnecessary time and travel. The district considers the \$2,000 dual signature limit to be sufficient, while providing adequate authoritative approval on cash disbursements. Additionally, all subrecipient grant payments require dual signatures on the checks. The District Chairperson meets with the Executive Director at least once a week to sign checks. Both operating and grant checks are signed at that time. Almost all checks receive two signatures. This additional detail explains the system and addresses the issue."

SWMP Response:

We concur with the auditor's recommendation regarding review of its check writing policy. MDNR will discuss with the district the lowering of the dual signature requirement and other alternatives during the audit resolution process.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #11:

- a. The executive board should direct district staff to present at each board meeting a report on planned versus actual administrative and/or operating expenditures with sufficient detail to allow members to understand the purpose of such expenditures;
- b. The executive board should consider lowering the limit on the \$2,000 dual signature requirement. At a minimum, the board should ensure development and presentation of a report on expenditures in sufficient detail to allow executive board members to know that all district expenditures are necessary and appropriate and are being made in compliance with all laws, rules, and conditions governing the funds used;
- c. The executive board should consider modifying the written policy and related procedures to lower the limit for dual signature checks and additional reporting requirements; and
- d. Modifications or the addition of district policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

12. Audit Finding – District Financial Audit Not Timely Submitted

Auditor Recommendation:

We recommend that the district be required to implement a plan to ensure that the required annual financial audit report is complete and submitted to MDNR prior to the deadline as stated in the rules and regulations. Otherwise, the district should obtain a waiver from this requirement if MDNR concurs that the cost savings is justified for a short extension period.

District Response:

The district stated in part, "Annual audits have historically been due to DNR within 120 days from the close of the state fiscal year. This changed in the 2006 District Grant Agreements, affecting 2006 funding. Prior years of district grant agreements always referenced the state fiscal year. The district had received no 2006 funds during 2005 fiscal year period. The financial audit for 2005 addressed funds received for prior fiscal years, which contained audit requirements based on the state fiscal year, not a district's fiscal year. The district was not out of compliance with the audit requirements for the fiscal year agreements for which it had received funding. At any rate, the audit report was submitted to DNR and the issue is settled."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #12:

- a. The executive board should review and amend the current written policy and related procedures for filing the annual report with DNR to ensure timely submission or requesting a waiver in sufficient time to allow the SWMP to respond prior to the district being out of compliance; and
- b. Modifications to any district policies to bring the district into compliance should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 12 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

13. Audit Finding – District Bylaws

Auditor Recommendation:

We recommend that the district be required to update its by-laws to reflect the current composition of the district and submit them to MDNR to demonstrate compliance with RSMo Section 260.320.

District Response:

The district stated, "All of the jurisdictions comprising the district amended ordinances to include St. Charles County, including adjusting the executive board seat allocations. Copies of these ordinances were reviewed by the contract auditor. The ordinances take precedence over the by-laws. The by-laws are scheduled for amendment at the May executive board meeting. This addresses the issue."

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

We understand the Region L board planned to address the by-laws issue at their May 2007 meeting. The SWMP recommends the executive board submit to the SWMP a copy of the district's amended by-laws and approved meeting minutes for the board's May, 2007 meeting with the next quarterly Financial Summary form.

14. Audit Finding – Retainage Not Held

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the district retains fifteen percent (15%) of subgrant funds until board approval of the final report and accounting of project expenditures.

District Response:

The district stated, “District staff did make a reimbursement that slightly exceeded the 85% threshold prior to receipt of the final report. Staff misinterpreted a report to interpret that it was a final report. Project 2004054 has since been closed, and the issue is resolved. It was a mistake and the staff will ensure that it does not happen again.”

“Additionally, the district’s 2006 independent audit fieldwork is complete, and no additional instances of this mistake were noted in the 25 grants undergoing review in that audit. The district is confident that it was an isolated instance with little chance of happening again.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #14:

- a. The district should review and ensure the current written policy and related procedures reduce to a minimum the likelihood of recurrence of this finding. Specific attention should be paid to processes used by the staff responsible for entry, authorization, and approval of payment transactions which provides oversight and internal control over these functions that directly impact district cash assets; and
- b. Modifications to any district policies to bring the district into compliance should be in writing and approved by the executive board and documented within the district’s signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 14 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

15. Audit Finding – Untimely Filing of UCC Financing Statement

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the district is in compliance with state regulations pertaining to the timely filing of UCC Financing Statements.

District Response:

The district stated in part, “This asset for project 2005038 is secured and is included in all equipment inspections and reporting. The initial piece of equipment was not performing to specifications, and was upgraded to a better piece of equipment. The UCC was filed on the improved equipment once it was delivered. Additionally, new procedures have been implemented which will address timeliness issues in the future.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #15:

- a. The district should review their current written policy and related procedures for filing of UCC Financing Statements and determine the need for modifications to ensure accurate and timely filing with the Secretary of State; and
- b. Modifications to district policies should be in writing and approved by the council or executive board and documented within the district’s signed meeting minutes with copies provided to the SWMP.

16. Audit Finding – Failure to Obtain a Security Interest

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the district is in compliance with state regulations pertaining to obtaining security interest for site improvements purchased or constructed by the subgrantee.

District Response:

A security interest has been obtained for Project 2005062.

SWMP Response:

While we understand from the district’s response that Project 2005062 has been addressed, we concur with the auditor’s recommendation that procedures be put into place to ensure future compliance with the requirement for security interest.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #16:

- a. The district should review their current written policy and related procedures for obtaining a security interest for site improvements purchased or constructed by subgrantees and determine the need for modifications to ensure accurate and timely filing of security interests; and

- b. Modifications to district policies should be in writing and approved by the council or executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

17. Audit Finding –Late Fees Reimbursed By District to Subgrantee

Auditor Recommendation:

We recommend that the district be required to implement procedures that subgrant disbursements be made only upon receipt of proper source documentation as required by MDNR. Additionally, the district should implement procedures to ensure that costs incurred for unnecessary and unreasonable expenditures are not reimbursed to the subgrantee.

District Response:

The district stated in part, "The late fees in question in the total amount of \$22 were not ineligible costs, and therefore were considered to be allowable. In the future, any late fees incurred by a recipient that are not caused by an action of the district will not be reimbursed."

SWMP Response:

The district makes grant awards and enters into fixed price financial assistance agreements with subgrantees for project completion. The district's project application process includes information about costs to be incurred by the subgrantee and reimbursed by the district. Late fees, like fines and penalties, result from violating the terms or conditions of a contract or rental agreement in most cases related to the timely return of property to its owner. It would not be a sound business practice for the district to approve a grant project including funds for the subgrantee to pay late fees where the subgrantee is planning to "knowingly" violate a contract or agreement. The subgrantee's failure to meet their contractual obligation and resulting late fees is not a reasonable or necessary cost to the grant award.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #17:

- a. The executive board should review and modify their current written policy and related procedures for reimbursement of subgrantee expenditures. The district should take appropriate steps to prevent incurring late fees and exclude late fees from eligible costs for subgrantees; and
- b. Modifications to district policies should be in writing and approved by the council or executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

18. Audit Finding – Utilization of Subgrantee Equipment

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that district grants awarded to subgrantees are used for the agreed on purpose and utilized within the

agreed upon time period. Additionally, we recommend that any and all changes in project status be reported to MDNR on a quarterly basis and that these reports accurately reflect the accomplishments of the project. Furthermore, the audit questions costs expended on Project number 2004054 in the amount of \$75,000.

District Response:

The district stated in part, “The grantee, Remains, is a textile recycler that has been operating in an inadequate location for a number of years. They chose to utilize a brownfield site that would suit their needs, once it could be remediated and cleared for usage. This process has taken several years and great expense. Additionally, once the site was available for use, Remains needed to sell its building in order to be able to move into the new location.”

“The tear line project is a unique project occurring nowhere in the Midwest. Initially, the equipment was purchased and main components installed. The equipment was installed, tagged as part of the regular security procedures, and utilized in operations with diversion reported. The rest of the system could not be fit into the existing space, and a business decision was made to take the line out of operation until it can be installed in its entirety at the new location. At that point it was packed into storage for moving to the new facility, though some of the components remain in operation at the existing facility.”

“Currently, Remains has signed a contract to sell their existing location on April 26, 2007 and the sale was finalized on this same date. The main line will be installed first, and the shredding tear line will be installed afterwards, as the final remediation and construction is completed on the new site. Additionally, a new security agreement has been signed with Remains on the equipment purchased with district funds.”

“The district’s partnership with Remains has been long and challenging. The district is gratified that everything is finally working out. Our ability to be patient and persistent has been a key part of the success of this effort, especially the dual purpose of a successful brownfield renovation. These tough projects are where the district help can make a huge impact, and are the type of project we should support. The equipment has been secure throughout this time, has been in use, and will begin to be used again as part of a revitalized operation serving multiple public goals at the final location. This addresses the issue.”

SWMP Response:

We concur with the auditor’s finding and recommendation. In a review of project documentation, the district and subgrantee did not disclose that the project was significantly behind time and that equipment was sitting in trailers. The project application indicates that should the present facility not be feasible, a second facility was available to the subgrantee. Until such time as the district and subgrantee provide supporting documentation to show that the equipment is installed and operational, as stated in the project plan and financial assistance agreement, the \$75,000 in questioned costs remain, as we do not know if the equipment has been installed or reinstalled and placed into operation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #18:

- a. The district provided reports from the subgrantee that did not provide accurate information about the status of the project and the district did not directly provide any information stating problems with the project or implementation timeline. The district should promptly take action to correct this misreporting to DNR and provide a report that accurately reflects the status of project implementation. Further, the report should clearly state the date full compliance with the grant award between the district and their subgrantee is anticipated.
- b. The district should provide to the SWMP pictures of the equipment at this project to confirm its current status with the district's next quarterly Financial Summary form. Further, once the project is fully operational the district should arrange for an on-site visit by SWMP staff to verify its completion.

19. Audit Finding –Procurement Procedures (Subgrantee-Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that subgrantees are in compliance with State procurement policies relating to bidding requirements for equipment, installation, and processing undertaken by the subgrantee. These procedures must include file documentation for sole source justification. Additionally, we recommend that the district require documentation of procurement policies of subgrantees, and that subgrantees be required to adhere to those policies.

District Response:

The district stated in part, “With regard to projects 2005038 and 2006034, these were partnership efforts with a sole source provider. The plastic pot recycling program has evolved over time to expand from just collection to a demonstration of closed loop recycling with a strong educational component. There is only one plastic lumber manufacturer available to perform this service, which is common knowledge to professionals in the recycling field.”

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #19:

- a. As detailed in the recommendations for Finding #3, the executive board should modify the district's procurement policies and related procedures to address the need for compliance with state procurement requirements. Specifically, the procedures must include adequately documenting bids including sole source justification and retention of procurement records.

- b. We recommend development of a district procurement form for ease in recording bids and for record retention purposes. Additionally, the district is required to pass these same requirements down to their subgrantees. To ensure compliance, the district should request submission of the grant applicant's procurement policies as part of the grant application process;
- c. District staff as part of their on-site visits to subgrantees should review completed procurement files for goods and services purchased by the subgrantee to verify their compliance with the submitted procurement policy; and
- d. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

20. Audit Finding –Printed Materials

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that all printed materials distributed by the district or any subgrantee of the district properly credit MDNR for funding and identify the department and its logo.

District Response:

Both brochures are being reprinted with the MDNR logo.

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #20:

- a. The executive board should review and modify the district's policy to require staff and the district's subgrantees to review all materials prior to printing to ensure MDNR and its logo are identified and credit is given for funding the project; and
- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

21. Audit Finding – Expired Financial Assistance Agreement

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that a current financial assistance agreement is maintained for each open grant award.

District Response:

The district stated in part, “An amendment was requested and granted for project 2005062 in January 2007. This will be included in the next quarterly report as done in accordance with the standard operating procedures.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #21:

- a. The executive board should review and amend as needed the policy and procedures of the district to require financial assistance agreements with subgrantees be monitored to ensure the agreements are current; and
- b. Modifications made to the district’s policies should be in writing and approved by the executive board and documented within the district’s signed meeting minutes with copies provided to the SWMP.

22. Audit Finding – Quarterly Reports Not Timely Filed (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that the thirty day deadline for submitting quarterly reports to MDNR is achieved.

District Response:

The district stated, “This is a minor procedural matter. The district has always notified DNR staff if reports were late, but did not save any documentation prior to 2006. The district will be sure project reports are received within the thirty day period, or an extension requested. If necessary, overnight mail will be used to ensure compliance. DNR staff has stated that our district is one of the best districts for submission of quarterly reports.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #22:

- a. The executive board should review and modify as needed the policy and related procedure to include the steps detailed in the district’s response. Further, the executive board should include specific procedures for subgrantees requiring them to timely file project documents to allow the district to meet its reporting deadlines with MDNR; and

- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

(Note: Currently, 10 CSR 80-9.050, Solid Waste Management Fund, District Grants is under revision and has an anticipated effective date of October 30, 2007. The recommendation for this Finding 22 is based on the current regulation. At the time the rule becomes effective, the board may wish to review the policy and procedure to ensure its compliance.)

23. Audit Finding – Final Reports Not Timely Filed (Repeat Finding)

Auditor Recommendation:

We recommend that the district be required to submit its reports to MDNR within the time limits allowed by law. The reports should note any subgrantee which has not complied with the reporting requirements.

District Response:

Final reports for both 2004060 and 2004054 have been provided to MDNR and the issue has been addressed.”

SWMP Response:

We concur with the auditor's recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #23:

- a. The executive board should review the district's policy and related procedures for timely filing of final reports with MDNR. Also, the executive board should include specific procedures for notifying and holding subgrantees accountable when they fail to timely provide final project reports preventing the district for meeting its compliance reporting deadlines with MDNR; and
- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.

24. Audit Finding – Amendment to Financial Assistance Agreement Not Reported

Auditor Recommendation:

We recommend that the district be required to implement procedures to ensure that any amendments to the financial assistance agreements of any district grant projects are timely included with the quarterly and final reports submitted by the district to MDNR.

District Response:

The district stated in part, “The district includes copies of amendments with each quarterly report to DNR as part of the normal operating procedures. The amendment for 2004048 was included with the quarterly report to DNR, but the amendment to 2005038 was inadvertently omitted. This is an isolated instance. District staff performed an additional review of all quarterly reports to double check for any omissions. No additional omissions were found. This issue has been resolved with the transmission of the amendments.”

SWMP Response:

We concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #24:

- a. The executive board should modify the policy and related procedures to include steps ensuring amendments to financial assistance agreements are reported to MDNR timely; and
- b. Modifications made to the district’s policies should be in writing and approved by the executive board and documented within the district’s signed meeting minutes with copies provided to the SWMP.

25. Audit Finding – Projects Funded Utilizing Interest Funds

Auditor Recommendation:

We recommend that the district be required to expend interest income only on grant projects contained within the district’s solid waste management plan approved by MDNR.

District Response:

The district stated, “These projects were funded as special projects utilizing interest funds. DNR added those to the list of approved projects for 2005, and the district had no objection. Districts have had the authority to utilize interest funds for resource recovery projects. A copy of an authorization letter is attached. There is no additional information necessary.”

SWMP Response:

The district must comply with the Special Terms and Conditions which state, “Expenditure of income earned from interest on district grant agreement funds must be in compliance with 10 CSR 80-9.050 Solid Waste Management Fund (SWMF) – District Grants.” Further, 10 CSR 80-9.050(1)(C)1 states, “Grant monies made available by this rule shall be allocated by the district for projects contained within the district’s approved solid waste management plan. These funds will be used for solid waste management projects as approved by the department.” The district failed to comply with these requirements. Therefore, we concur with the auditor’s recommendation.

SWMP Recommendation:

The SWMP recommends the district take the following actions to resolve Finding #25:

- a. The executive board should modify the policy and related procedures to include steps ensuring -- dependent on the original source of funds producing the interest -- that interest income is only expended on MDNR approved grant projects within the district's solid waste management plan or approved operational expenditures. Additionally, the procedure should state MDNR approval will occur prior to funds being disbursed to the subgrantee or vendor by the district; and
- b. Modifications made to the district's policies should be in writing and approved by the executive board and documented within the district's signed meeting minutes with copies provided to the SWMP.